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UNCLAS SECTION 01 OF 02 ABUJA 001638

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DEPARTMENT PASS TO USTR (AGAMA)
DEPT OF ENERGY FOR CAROLYN GAY

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TAGS: [ENRG](#) [ECON](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: PRESIDENT YAR'ADUA HOLDS ENERGY PORTFOLIO

REF: A. ABUJA 1614

[1](#)B. ABUJA 1607

[1](#)C. ABUJA 1582

[1](#)D. ABUJA 1575

[1](#)E. LAGOS 494

[1](#)F. ABUJA 1376

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[1](#)1. Summary. (U) President Yar'adua will act as Minister of Energy, following the footsteps of his predecessor. To assist managing the portfolio three deputy ministers have been appointed to oversee Power, Petroleum, and Gas. This decision is connected to the president's campaign promise that he would declare a state of emergency in the energy sector. Yar'adua believes that the energy sector is vital to solving Nigeria's economic problems. End summary.

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Is This New?

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[1](#)2. (U) On July 26, President Yar'adua inaugurated his cabinet and announced portfolios for 39 ministers. Like his predecessor Olusegun Obasanjo, Yar'adua will supervise the energy ministry. He named three deputy ministers -- for power - Fatima Ibrahim; for petroleum -Odein Ajumogobia; and for gas - Odusina Olatunde Emmanuel.

[1](#)3. (U) Former President Obasanjo held the portfolio of Minister for Petroleum Resources during the first four years of his administration, and did not appoint a deputy minister until 2005. Appointing three deputy ministers to manage the power, petroleum and gas portfolios is in line with Yar'adua's vision to tackle Nigeria's energy problems, and focusing on each of the problems individually.

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Power Problems

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[1](#)4. (U) During the election campaign, Yar'adua announced that he would declare a state of emergency in the energy sector to solve the nation's energy problems. The GON has set ambitious targets to generate 10,000 MW of electricity by the first quarter of 2008, and 27,000 MW by 2011. The unreliable supply of electricity is a main cause in the collapse and non-profitability of many businesses in the country. Owners are forced to provide power using generators with its attendant high fuel costs. Nigeria has an installed

generation capacity of 6,000 MW, but rarely generates over 2,000 MW despite the GON spending 396 billion naira (\$3.1 billion) to refurbish power generation plants and distribution systems as well as to construct new power stations and transmission lines in the last eight years.

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Gas Problems

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15. (U) Much of Nigeria's gas is flared and a large quantity of gas that is gathered is exported through the various liquefied natural gas projects. The GON's drive to increase the nation's power generation capacity relies heavily on building gas-fired power plants, and the current gas production will not be sufficient for both exports and domestic use. Yar'adua wants concerted efforts to increase gas production to serve both exports and domestic use, which accounts for appointing a deputy minister responsible for gas.

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Petroleum Problems

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16. (U) Nigeria is the eleventh largest producer of crude oil in the world, however, imports all its domestic refined petroleum product needs. Its four state-owned refineries are in disrepair. The GON's policy of deregulation in the downstream petroleum sector and the reduction of subsidies on petroleum products during a time of rising oil prices has resulted in continuous increases in the domestic price of petroleum products in line with the international market. Rising fuel prices regularly has triggered industrial action by the labor unions.

17. (U) Yar'adua faced this problem during the first week of his administration when labor unions called a general strike to protest

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price hikes in petroleum products and the sale of the refineries towards the tail end of Obasanjo's administration. When the strike was called off, Yar'adua made a commitment to review the sale of the refineries and effected a marginal reduction in the pump price of fuel.

18. (U) The refinery sales were cancelled after July 21, and Yar'adua ordered the Nigerian National Petroleum Corporation to ensure that the refineries worked at between 70 to 80 percent capacity by the end of the year. The appointment of a deputy minister for petroleum is connected with Yar'adua's desire to ensure the refineries work efficiently and to coordinate policies in the downstream petroleum sector.

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Comment

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19. (SBU) Keeping the reins of the Energy Ministry in his own hands probably is a move by Yar'adua to consolidate his power, as energy is the fountain of money and power in Nigeria. Nigeria has major issues that need resolving in each of the three sectors of power, gas and oil, so giving each of them a high level overseer is probably wise. On the other hand, forcing every issue to go through the President could slow action. None of the three deputy ministers has experience or expertise in energy issues, which is another concern; even if capable they may have significant learning curves. While it is clear that the President recognizes the importance of energy issues, it is not clear that he has team in place or specific solutions to tackle the problems. It is not at all clear, for example, how a state of emergency could improve the power situation.

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